

## Message Text

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FOLLOWING REPEAT OECD PARIS 12688 ACTION SECSTATE 27 MAY.

QUOTE

C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: OECD TRADE COMMITTEE WORKING PARTY (TCWP)

REVIEW OF AUSTRALIAN TRADE POLICY

1. SUMMARY. TCWP UNDERTOOK INTENSIVE EXAMINATION OF AUSTRALIA'S TRADE POLICY MAY 20-22. AUSTRALIAN DELEGATION WAS HEADED BY MR. J. FOGARTY, FIRST ASSISTANT SECRETARY, DEPARTMENT OF OVERSEAS TRADE (DOT) AND INCLUDED J. WEEKS, OECD SECTION, DOT AND C. TEESE, AUSTRALIA'S ECONOMIC MINISTER IN GENEVA. MANY MEMBERS PARTICIPATED EXTENSIVELY IN EXAMINATION, PARTICULARLY JAPAN, EC COMMISSION, US, UK, SWEDEN, SWITZERLAND, CANADA AND GERMANY. MAJOR ISSUES WHICH EMERGED FROM REVIEW WERE: LEVELS AND CRITERIA OF AUSTRALIAN PROTECTION, BY-LAW SYSTEM, GOVERNMENT PURCHASING, EXPORT

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CONTROLS, INTERNATIONAL COMMODITY AGREEMENTS AND

HEALTHANDSANITARY REGULATIONS. THESE QUESTIONS WILL BE HIGHLIGHTED IN REPORT TO BE SUBMITTED TO TC ACCOMPANIED BY A FURTHER REPORT REFLECTING A SUMMARY RECORD OF MEETING. SEVERAL DELS INCLUDING SWISS, CANADIAN, EC COMMISSION TOLD CHAIRMAN PRIVATELY THAT THEY WOULD LIKE TO SEE COUNTRY TRADE POLICY REVIEWS AS PERMANENT PART OF TC WORK PROGRAM. END SUMMARY.

2. SEVERAL MEMBERS OF TCWP WELCOMED RECENT TREND OF LOWERING OF LEVEL OF AUSTRALIAN TRADE PROTECTION ESPECIALLY LAST YEAR'S ACROSS-THE-BOARD 25 PERCENT TARIFF REDUCTION. ON OTHER HAND IT WAS NOTED THAT AUSTRALIAN LEVEL OF NOMINAL AND EFFECTIVE PROTECTION WAS STILL QUITE HIGH. US DEL QUESTIONED AUSTRALIAN JUSTIFICATION OF PROTECTION, I.E. SMALLNESS OF MARKET AND HIGH LABOR COSTS (TFD/TD/765, ANNEX 1) AS CONDITIONS UNLIKELY TO BE AMELIORATED BY MAINTENANCE OF PROTECTION. EXTENSIVE QUESTIONS WERE RAISED REGARDING COMPOSITION, ROLE, FUNCTIONING OF NEW INDUSTRIES ASSISTANCE COMMISSION AND TEMPORARY ASSISTANCE ACT.

3. SEVERAL DELEGATES REMARKED ABOUT COMPLEXITY, UNCERTAINTY AND UNPREDICTABILITY CHARACTERISTIC OF AUSTRALIAN TRADE REGIME. IT WAS ALSO NOTED THAT MANY ELEMENTS OF AUSTRALIAN TRADE POLICY, I. E. ANTI-DUMPING, CUSTOMS VALUATION, BY-LAW SYSTEM AND GOVERNMENT PURCHASING ARE UNDER ACTIVE INTERDEPARTMENTAL REVIEW IN AUSTRALIA ON THE OUTCOME OF WHICH THE AUSTRALIANS COULD PROVIDE LITTLE ENLIGHTENMENT. REGARDING BINDING OF 25 TARIFF CUTS, AUSTRALIAN DEL DECLARED IT WILL DEPEND ON HOW FORTHCOMING AUSTRALIA'S TRADING PARTNERS WILL BE IN MTN ON TRADE CONCESSIONS OF PARTICULAR INTEREST TO AUSTRALIA, E.G. AGRICULTURE.

4. ON REVIEW OF BY-LAW SYSTEM AUSTRALIAN DEL COULD GIVE ONLY PERSONAL VIEWS TO EFFECT THAT SYSTEM UNLIKELY TO BE ABANDONED, PERHAPS ONLY STREAMLINED AND SIMPLIFIED, AT LEAST NOT UNTIL COMPLETION OF TARIFF REVIEW BY L978.

5. IN RESPONSE TO QUESTION, AUSTRALIAN DEL ASSURED LIMITED OFFICIAL USE

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TCWP THAT TARIFF REVIEW TO BE COMPLETED BY L978 WILL IN NO WAY INHIBIT FULL AUSTRALIAN PARTICIPATION IN MTN.

6. AUSTRALIAN DEL EMPHASIZED PRACTICALLY EXCLUSIVE RELIANCE ON TARIFFS FOR PROTECTION IN CONTRAST TO MANY NTBS USED BY OTHERS. THIS WAS ACKNOWLEDGED BY TCWP. AUSTRALIANS WERE QUESTIONED ON USE OF "SUPPORT VALUE" DUTIES. AUSTRALIAN DEFENSE WAS WEAK, REFERRING TO

POSITIONS OF OTHERS WITH ONLY A THINLY VEILED ALLUSION TO ASP.

7. ON GOVERNMENT PURCHASING, US DEL PRESENTED CASE AGAINST OFFSET REQUIREMENTS ALONG LINES PARA 7 CANBERRA 2684. AUSTRALIAN DEL TOOK NOTE OF COMPLAINT AND PROMISED TO BRING IT TO ATTENTION OF GOA.

8. QUESTION OF CONTROLS ON MINERAL EXPORTS BROUGHT EXPLANATION BY AUSTRALIAN DEL OF CONTRACT SURVEILLANCE SYSTEM AND JUSTIFICATION IN TERMS OF ASSURING

"REASONABLE" PRICE AND TO PROMOTE "BALANCED DEVELOPMENT". ENSUING EXCHANGE OF VIEWS WAS HIGHLY CRITICAL. AUSTRALIANS WERE URGED THAT IF THEY WOULD NOT DISCONTINUE CONTROLS THEY SHOULD CONTINUE TO ADMINISTER THEM LIBERALLY, THAT DETERMINATION OF "REASONABLE" PRICES WAS BEST LEFT TO MARKET FORCES OR ON MULTILATERAL BASIS, TAKING INTO ACCOUNT INTERESTS OF SUPPLIERS AND CONSUMERS. AS FAR AS PROMOTING LANCED DEVELOPMENT WAS CONCERNED, AUSTRAL SHOULD ALSO TAKE INTO ACCOUNT PRINCIPLES OF INTERNATIONAL DIVISION OF LABOR. AUSTRALIAN DEL TOLD US REP PRIVATELY THAT HE DOUBTS THAT ANY AUSTRALIAN GOVT. WOULD ABANDON PRESENT SURVEILLANCE SYSTEMS NECESSARY AS DEFENSE AGAINST PURCHASING PRACTICES JAPANESE STEEL CARTEL.

9. AUSTRALIANS CAME OUT IN FAVOR OF COMMODITY AGREEMENTS. IN RESPONSE TO QUERY BY US DEL, THEY IDENTIFIED SUGAR AND GRAINS AS PROMISING FIELDS. IN SUPPORT OF COMMODITY AGREEMENTS THEY CITED THEIR UNSUCCESSFUL INITIATIVE ON DAIRY PRODUCTS A FEW YEARS BACK RESULTING IN CONSCIOUS AUSTRALIAN DECISION TO CUT BACK DAIRY LIMITED OFFICIAL USE

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PRODUCTION WITH RESULTING PRESENT SHORTAGES. AUSTRALIANS BELIEVE COMMODITY AGREEMENTS HAVE ROLE ALSO FOR NON-TEMPERATE ZONE PRODUCTS.

10. SEVERAL EUROPEAN COUNTRIES COMPLAINED ABOUT AUSTRALIAN HEALTH AND SANITATION REGULATIONS. AUSTRIANS ARGUED THESE MATTERS OF TECHNICAL COMPLEXITY OUTSIDE COMPETENCE OF TRADE OFFICIALS. AFTER PROLONGED ARGUMENT IT WAS AGREED MATTER WILL BE RAISED IN REPORT TO TC BUT TC NOT EXPECTED TO DISCUSS IT IN DETAIL.

11. DISCUSSION STARTED WITH FRENCH DECLARATION FOR RECORD AGAINST LAST YEAR'S BOYCOTT AND ENDED WITH PASSIONATE GREEK COMPLAINT OF "DISCRIMINATORY" EXCLUSION FROM GSP BENEFICIARY LIST.

12. MISSION COMMENT: EXAMINATION WAS CHARACTERIZED AS  
HIGHLY SUCCESSFUL AND USEFUL BY ALL PARTICIPANTS. GOOD  
RESULT WAS ATTRIBUTABLE TO EXCELLENT PREPARATION BY  
SECRETARIAT AND AUSTRALIAN TEAM, WHO HELD UP WELL UNDER  
PERSISTENT PROBING BY SOME 15 INTERROGATORS, AND TO  
HIGH QUALITY OF OTHER KEY DELEGATE PARTICIPANTS,  
ESPECIALLY KITAMURA (JAPAN), GEBER (US), DE PASQUALE  
(EC COMMISSION), LUSSE (SWITZERLAND), MACNIEL (CANADA),  
DURIE (UK), BOUVEIN (SWEDEN) AND VAN EDIG (FRG).  
SEVERAL OF THESE DELEGATES TOLD CHAIRMAN AFTER MEETING THAT  
THEY FELT COUNTRY TRADE POLICY REVIEWS SHOULD BECOME  
PERMANENT PART OF TC WORK PROGRAM. CHAIRMAN  
ADVISED THEM TO SEE TO IT THAT THOSE SENTIMENTS WERE  
EXPRESSED AT NEXT TC MEETING. DESPITE ENTHUSIASM  
EXPRESSED RIGHT AFTER MEETING, NOT AT ALL CLEAR THAT,  
AFTER REFLECTION, JAPANESE AND EC DELEGATES, FOR EXAMPLE,  
WOULD BE WILLING TO SUBMIT THEIR POLICIES TO FULL  
EXPOSURE AND RELENTLESS PROBING JUST UNDERGONE BY  
AUSTRALIANS. NONETHELESS US DELEGATE TO JUNE 25-26 TC  
SHOULD BE READY TO SUPPORT COUNTRY TRADE POLICY EXAM-  
INATIONS AS REGULAR PART OF TC WORK PROGRAM,  
ASSUMING NO RECENT CHANGE IN DEPARTMENT'S POSITION.  
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